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STATE FOR PM/DTTC

E.O. 12958: N/A
TAGS: ETTC KOMC IS
SUBJECT: BLUE LANTERN BROKER INQUIRY -- CASE NO. K-1623

REF: STATE 94746

¶1. (SBU) Summary: American Aviation LTD is a representative/intermediary well-known in Israeli defense industry circles. According to American Aviation General Manager Avi Ezra, the company primarily represents U.S. and Western European companies. Ezra said that American Aviation does possess an Israeli brokering license, and has renewed its U.S. brokering license several times. He noted little contact with the Israeli MOD Defense Export Control Directorate, as American Aviation does not export or re-export any controlled defense-related items. Ezra said, however, that many of American Aviation's Israeli partners do re-export; he claimed a basic knowledge of U.S. defense export control regulations and stated he relies on these larger Israeli defense companies to strictly adhere to U.S. regulations. Speaking candidly, Ezra described the U.S. defense export control system as time-consuming and cited several scenarios in which Israeli companies might choose to pursue business ventures with companies that do not require end-use statements, or opt to develop a capability indigenously. End summary.

¶2. (SBU) Per reftel, Polmiloff and FCS senior commercial specialist met with American Aviation LTD General Manager Avi Ezra at the company's offices on 17 Hatidhar Street, Ra'anana, on October 7. American Aviation LTD CEO Amnon Ezra (Avi's older brother) briefly joined the meeting near its conclusion. According to Avi Ezra, American Aviation was formed in 1973, and currently maintains 12 employees, including a full-time employee dedicated to export control licenses. American Aviation is well-known in the Israeli defense industry; Post does not possess any information regarding criminal or other derogatory background.

¶3. (SBU) Avi Ezra noted that American Aviation (www.america-aviation.co.il) acts as an intermediary/representative for Western European and U.S. companies, and maintains one small business contract with a South Korean firm. According to Ezra, almost all of American Aviation's business is unrelated to Foreign Military Sales (FMS). A third of American Aviation's business is devoted to defense industry -- according to Ezra, "90 percent of such sales" are made to Israeli companies such as Elta, Elbit, and New Biotechnology (NBT) LTD. Based on the end-user statements, Ezra said these large Israeli companies re-export a majority of these sales. He noted that an additional third of his business focuses on civil aviation, including Israel Aerospace Industries' Gulfstream project. The final third entails the high-tech industry, specifically the medical sector. Ezra said American Aviation often partners with General Electric (GE) and Phillips in these cases.

¶ 4. (SBU) Avi Ezra noted more activity with European than U.S. companies with regard to controlled items. He explained that in principle, there are few differences between U.S. and EU export control regulations. In fact, obtaining end-use statements from some EU countries can be more laborious than the U.S. -- as an example, he noted that France requires the authentication of each signature on an end-use statement at its embassies and consulates. However, in practice, he said there was a gap between the United States and the EU in terms of implementing and enforcing export control regulations. When doing business with the U.S., Ezra said, Israeli companies follow the export control regulations closely as they "expect to be audited." European countries are more lax when it comes to enforcement; "there are gaps and holes in the net," Ezra said, which make European firms more attractive to Israeli companies to do business with, even if the end-use statement takes longer. He noted, however, that these gaps are slowly closing.

¶ 5. (SBU) Avi Ezra noted that American Aviation possesses a brokering license registered in his brother Amnon's name with the MOD Defense Export Control Directorate. As an intermediary, American Aviation does not export or re-export any controlled items, and therefore has little contact with the Defense Export Control Directorate, nor has it attended any of the Directorate's defense export control seminars. Avi Ezra acknowledged that a vendor had asked American Aviation to obtain a U.S. brokering license, which the vendor initially paid for, but American Aviation has subsequently renewed "two or three times." He questioned the value-added of the U.S. brokering license, noting that American Aviation does not appear to derive any benefits from the hefty license fee.

¶ 6. (SBU) Avi Ezra claimed to have a "basic" understanding of U.S. defense export control regulations and restrictions on United States Munitions List (USML) controlled items. He admitted, however, that he often relies on the larger Israeli defense companies when re-export is concerned -- these companies are "very disciplined" when it comes to defense export control regulations, although he always asks to see an end-user statement. American Aviation does not possess facilities to secure controlled items; "we do not keep stock," Ezra said. On occasion, he acknowledged that he will take into possession a "prototype" when "expediency is warranted" -- but such products typically involve the medical or high tech sector, and never defense industry.

¶ 7. (SBU) Avi Ezra also noted that some companies -- especially those from Singapore -- contractually request suppliers that do not require end-use statements. Ezra explained that obtaining a DSP-83 takes a great deal of time, especially if some of the companies involved are located in third world countries. Moreover, U.S. firms will not begin to work on a contract until the DSP-83 is complete, again costing the buyer more time. Ezra said that in order to expeditiously compete for such business, Israeli companies honor the contract request to find vendors that do not require end-use statements, or they develop the capability indigenously.

¶ 8. (SBU) Avi Ezra argued that Israel has the technical capability to produce locally; it is just a question of whether it makes sense economically to do so. In addition, he noted that embargoes sometimes do not have the effect intended, as the embargoed country develops a capability indigenously as a result. If a request is answered locally, Ezra said the Israeli company would only need to "deal with Eli Pincu," the Director of the MOD Export Control Directorate. Ezra described Pincu as "a difficult man," but suggested that producing locally and facing Israel's defense export control regulations was a less onerous option than navigating U.S. defense export control regulations.

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